

THE SANITARY SEWER SYSTEM

The Water Services Department is responsible for the planning and construction of wastewater collection system piping, pump stations, and treatment facilities serving Kansas City and certain surrounding areas. It is also responsible for the operation and maintenance of all of the wastewater collection and treatment facilities, compliance with the City's wastewater discharge permits, and applicable state and federal environmental regulations, as well as the administration of an industrial wastewater treatment program to regulate the quality of wastewater discharged from certain industrial activities.

The Kansas City Sanitary Sewer System serves an area of about 320 square miles. Wastewater collection and treatment services are provided to approximately 162,500 customers inside and outside the City on a retail basis and agreements with 28 surrounding communities and sewage districts on a contractual basis. The Water Services Department currently maintains about 2,200 miles of sanitary sewers and about 600 miles of combined sewers, 39 wastewater pumping stations, 15 flood pumping stations, 3 effluent pumping stations and 6 wastewater treatment plants. The combined sewers transport both sanitary flows and, during rainfall events, stormwater flows. The combined sewers serve an area south of the Missouri River of about 56 square miles. All wastewater transported to the City's treatment plants receive secondary treatment in compliance with federal and state environmental regulations.

Biosolids, the stabilized product generated from treatment of wastewater, is used in land application, at a City-owned facility, in the cultivation of non-food agriculture. These activities meet the United States Environmental Protection Agency ("EPA") treatment and pollutant content criteria Part 503.13 and can be safely recycled and applied as fertilizer to sustainably improve and maintain productive soils and stimulate plant growth. Biosolids are used as natural fertilizer to improve the quality of land for agriculture and increase crop yields. The crops harvested, soy-beans and corn, are most generally used as sources of alternative energy, namely bio-diesel and ethanol.

A summary of the City's wastewater treatment plants are presented in the table below:

Existing Wastewater Treatment Facilities

	<u>Approximate First Year of Operation</u>	<u>Current Design Capacity (mgd)</u>	<u>Average Flow(mgd) ^(a)</u>
Treatment Facility			
Blue River ^(b)	1964/1985 ^(e)	105.00	59.16
Westside ^(c)	1977	22.50	15.18
Birmingham ^(c)	1977	20.00	11.05
Todd Creek ^(c)	1999	3.40	1.44
Fishing River ^(c)	2000	1.00	1.10
Rocky Branch ^{(c)(d)}	2005	2.80	1.47
TOTAL		154.70	89.40

(a) Average flow for fiscal year 2013 in mgd – million gallons per day

(b) Secondary treatment provided by trickling filters.

(c) These facilities provide secondary treatment using an activated sludge treatment process.

(d) Capacity at the Rocky Branch Wastewater Treatment Plant was upgraded in 2005.

(e) Blue River primary treatment and solids handling was constructed in 1964, secondary treatment was added in 1985.

The following table shows revenues generated by customer class for the Sanitary Sewer System over the past five years.

	Sanitary Sewer Revenues*				
	2009	2010	2011	2012	2013
Residential	\$ 23,897,457	\$ 28,302,375	\$ 37,568,002	\$ 38,097,564	\$ 46,509,246
Commercial/Industrial	24,854,549	24,109,231	32,658,410	38,351,324	47,442,084
Inter-jurisdictional	21,098,061	21,707,816	23,123,947	23,925,569	24,508,149
Other Operating Revenue	4,752,796	5,521,163	5,023,113	4,535,887	3,335,623
Total Revenue	<u>\$ 74,602,862</u>	<u>\$ 79,640,585</u>	<u>\$ 98,373,472</u>	<u>\$ 104,910,344</u>	<u>\$ 121,795,102</u>

*Total revenues do not include interest income, which can be found in the Statement of Revenues, Expenses and Changes in Fund Net Position at page 12.

The following table shows the number of retail Sanitary Sewer System customers over the past five years.

	Number of Sanitary Sewer Customers				
	2009	2010	2011	2012	2013
Residential	136,470	137,500	139,496	142,535	145,985
Commercial/Industrial	15,179	15,200	13,949 **	15,947	16,500
Inter-jurisdictional	21	21	21	21	21
Total Customers	<u>151,670</u>	<u>152,721</u>	<u>153,466</u>	<u>158,503</u>	<u>162,506</u>

**The change from bi-monthly to monthly billing identified an issue in customer count. Prior to going to monthly billing exclusively, a greater proportion of commercial class customers were assumed to be billed monthly, which overestimated the number of commercial accounts in those years. Because nearly all residential accounts were billed bi-monthly, the estimate was consistent with actual performance.

Management Initiatives

The Water Services Department completed the American Water Works Association “QualServe” process in August, 2012. The “QualServe” process is made up of three components: self-assessment, peer review and benchmarking. The self-assessment portion is a survey of employees to establish the current perspective of the utility. The peer review brings utility professionals on-site, to provide a global perspective and make recommendations for improvements. Finally, benchmarking is designed to track and assess the recommended improvements. These indicators help utilities track internal progress and compare themselves to fellow utilities across 34 areas helping to provide a global view of the utility. Specifically, this will result in strategies to address planning, organizational structure and function, and internal and external service delivery.

To help assess community expectations, the Water Services Department has initiated a customer satisfaction survey. This survey will be done quarterly and is planned to be completed over the next five years. The Water Services Department has completed two quarterly surveys to date. The survey results will help the utility gauge the impact of the overflow control program, identify areas for improvement and help further assess the impact of the “QualServe” process. These initiatives are aimed at helping the Water Services Department achieve best in class delivery of essential customer services. In order to achieve this best in class service delivery the Department has initiated the customer service improvement program.

The customer service improvement program, currently underway in the Kansas City Water Services Department, is a multi-faceted project consisting of 21 separate initiatives that will be implemented over a 24-month period. The goal of the project is to improve the customer service experience through implementing required technology upgrades and enhancements, aligning customer-facing business processes, and updating training methods. Significant portions of the work include an upgrade to the customer information system and integration of various software packages as well as in-depth organizational reviews of customer-facing functions including billing, call center, and meter and field services. KCWSD has engaged West Monroe Partners to assist with this work.

Qualifications For National Association of Clean Water Agencies Peak Performance Awards

The following table shows performance awards received by the Water Services Department for the years 2009 to 2013:

Facility	2009	2010	2011	2012	2013
Blue River	Silver			Gold	
Birmingham	Silver	Gold	Silver	Gold	
Fishing River	Gold		Silver	Silver	Silver
Rocky Branch	Silver	Gold	Silver	Gold	Silver
Todd Creek	Gold	Gold	Gold	Platinum	Silver
Westside	Gold		Gold	Gold	Gold

Platinum = Five consecutive Gold Awards.

Gold = No National Pollutant Discharge Elimination System (“NPDES”) exceedances in the year.

Silver = Five or less NPDES exceedances in the year.

Blank cell = No award was received for the associated year.

One Platinum award winner, Northland Mobile Home Park, is not listed above, as it was taken out of service and replaced with a pump station.

Security of the System

The City continues to evaluate and address Sanitary Sewer System security matters in accordance with requirements of the EPA and other applicable federal regulations. The City continues to seek federal funding to defray the cost of any additional security needs.

Capital Improvement Program

The City’s Water Services Department has developed the Capital Improvement Program (CIP), which is intended to maintain and expand the Sanitary Sewer System’s capability of collecting and treating wastewater in a manner that meets or exceeds existing and anticipated federal and state water quality standards. Engineering is planning to start a multi-phase Wastewater System Master Plan to analyze the performance, condition, hydraulic capacities, and improvements needed within the City’s existing wastewater system to meet current and projected future needs.

Overflow Control Plan

In 2003, the City Council directed the City Manager to prepare a long range plan to manage wet weather flow in both the separate and combined sewer systems within the city. In response, Kansas City Water Services prepared an Overflow Control Plan (the “Plan”). Creation of the Plan was driven by requirements of the federal Clean Water Act and by policies of the United States Environmental Protection Agency (EPA) and Missouri Department of Natural Resources (MDNR) related to sewer infrastructure. The Plan is structured to prevent as much stormwater as practicable from entering the combined sewer system and separate sewer system to reduce sewer overflows and provide a platform to facilitate implementation of a comprehensive green solutions initiative in the city.

Kansas City’s Plan was developed to meet regulatory requirements related to reducing wet-weather overflows from the combined sewer system and preventing overflows from the separate sewer system. The City and its regulatory partners have agreed to meet those objectives over a 25-year time period by completing a planned list of improvements targeted at capturing for treatment 88 percent of combined sewer flows and eliminating sanitary sewer overflows during a five-year, twenty-four hour rainfall event. Individual elements of the City’s Overflow Control Program (OCP) became part of an enforceable document on September 27, 2010, with the entry of a Consent Decree in United States District Court for the Western District of Missouri. To date, the City has fulfilled all requirements set forth in the Consent Decree.

The current estimated capital cost of this control plan is approximately \$4.5 billion including estimated inflation at the end of the 25-year timeframe. In addition, there is expected to be a \$72 million increase in annual expenditures for operation and maintenance. It is anticipated that this Plan will be funded primarily from the City’s sewer fund, which is separate from the general fund. The City does not anticipate that the City’s general fund will be relied upon to assist in the financing

of the Plan. As implementation of the Plan continues, specific financing strategies to offset the cost will be evaluated and implemented, which could include appropriation of monies from the City's general fund.

The consent decree can be found at:

<http://www.kcmo.org/idc/groups/public/documents/waterservices/consentdecree.pdf>.

Regulatory Requirements

General

The City's Sanitary and Combined Sewer System operations are subject to regulatory requirements relating to the Clean Water Act and the Federal Air Pollution Prevention and Control Act, as amended (the "Clean Air Act"). The regulatory requirements are administered by the EPA and the State of Missouri's delegated authority, MDNR. Regulations of these agencies deal with the nature of wastewater discharged into the collection system, management of overflows from the combined (sanitary/storm) sewer system, the quality of effluent discharged from the wastewater treatment facilities into receiving streams, the quality of air emissions, and the use or disposal of residual solids generated by the wastewater treatment plants. As a condition of having received federal EPA grant funds under the Clean Water Act for planning, design, and construction of various wastewater projects, the City is subject to additional requirements. Among the grant-related requirements are guidelines that must be followed concerning planning methodologies, design criteria, procurement, construction activities, and financing of facilities.

To comply with mandated effluent quality and disposal criteria, the City must operate its wastewater treatment facilities according to discharge limitations and reporting requirements set forth in National Pollutant Discharge Elimination System ("NPDES") discharge permits issued by MDNR. While occasionally the City's wastewater treatment plants ("WWTP") experience moments of noncompliance, all of the City's WWTP consistently meet or exceed the requirements of their individual NPDES permits

To comply with other federal regulations concerning the discharge of waste materials into the combined and sanitary sewer systems, the City must administer and enforce industrial pretreatment standards upon users of the system. The City has been approved by the State and the EPA to administer its own industrial pretreatment program. In addition, any other jurisdiction contributing wastewater to the City's wastewater collection and treatment system is required by an inter-jurisdictional agreement to either (i) permit and monitor all industries within its respective service area, or (ii) allow the City to do so.

In addition to the City's compliance with all federal laws and regulations, the City must comply with all applicable State laws and regulations. The primary State laws concerned with the control of wastewater operations are the Missouri Clean Water Law, Chapter 644, RSMo, and corresponding regulations, and the Missouri Air Conservation Law, Chapter 643, RSMo, along with corresponding regulations.

Evolving Regulations

As stated earlier, the City has reached an agreement with the federal government, in the form of a Consent Decree, that includes the Plan, resolution of past Clean Water Act violations, and the imposition of a penalty. This Consent Decree has been approved by the United States District Court for the Western District of Missouri. While the Plan, in its current form, complies with current EPA and MDNR regulations, it is possible that new EPA or MDNR regulations or changes in permitting may require additional improvements which could result in additional expenses to the Sanitary or Combined Sewer System.

Legal

On behalf of the City, the Water Services Department entered into a cooperative agreement with the City of Lee's Summit, Missouri ("Lee's Summit"), whereby the City would construct the East Bannister Road Interceptor by February 19, 2008. Subsequent to February 19, 2008, Lee's Summit could terminate 138 temporary residential City connections to Lee Summit's Boggs Hollow Interceptor. As of the date of this document, the East Bannister Road Interceptor has not been constructed. Despite Lee's Summit's ability to disconnect, the disconnections can only occur after: (i) Lee's Summit provides the City with a 135 day written notice to disconnect; (ii) a third party has applied to Lee's Summit for development approval in the Boggs Hollow watershed; and (iii) the Lee's Summit governing body determines that said development will require capacity in the Boggs Hollow Interceptor which is not available due to consumption by the City. As of the date of this document, the City has not received notice from Lee's Summit to disconnect from the Boggs Hollow Interceptor, and to the best of the City's knowledge there are no approved developments in Lee's Summit that would require capacity from the Boggs Hollow Interceptor which is unavailable due to City consumption.

A small group of landlords filed suit against Kansas City claiming in part that the service charge billed by the Water Services Department for water and sewer service at twelve of their properties is a tax prohibited by Missouri's Hancock Amendment, rather than a fee. KCMO disputed this claim. Missouri's Hancock Amendment provides that governmental entities cannot levy a new tax or raise an existing tax without a vote of the people. Since the water and sewer rates are set by the KCMO City Council rather than a vote of the people, if the service charge is found to be tax, the increased amount of it would be impermissible. If the service charge is found to be a fee, as maintained by KCMO, then the challenge to the increased service charge would fail. The court took up the landlords' Motion for Preliminary Injunction and denied the same, holding that the service charge appeared to be a fee and not a tax. The litigation is pending, waiting on final resolution of all issues.

Largest Users of the System

The following table sets forth the ten largest users of the City's Sanitary Sewer System, annual revenue and the percentage of total wastewater service charges for service for Fiscal Year 2013:

<u>User</u>	<u>Annual Revenue</u>	<u>Approximate Percentage of Total Wastewater Revenue</u>
Johnson County, Kansas	\$10,211,871	8.15%
Liberty, Missouri	\$ 3,444,226	2.75%
Gladstone, Missouri	\$ 3,010,886	2.40%
North Kansas City, Missouri	\$ 2,272,574	1.82%
Veolia	\$ 1,300,520	1.04%
Raytown, Missouri	\$ 888,320	0.71 %
Ford Motor Company	\$ 816,228	0.65%
Riverside, Missouri	\$ 660,472	0.53%
Pleasant Valley, Missouri	\$ 495,407	0.40%
Independence	\$ 430,068	0.34%

Approximately seventy percent of the sewer service charge revenues of the Water Services Department are derived from charges for retail service provided to customers located inside the City limits. Additionally five percent of the sewer service charge revenues is billed directly by the Water Services Department on a retail basis outside of the City limits. The remaining sewer service charge revenues are for collection, transport, and treatment services provided on a wholesale basis under inter-jurisdictional agreements with 28 surrounding cities and sewer districts. The rates charged to each of the

wholesale customers are based on a flat rate house count, commercial customer count with water usage, or metered sewer flow. The rates for each agreement are established in the City's sewer rate ordinance. These rates are reviewed annually but can be changed by the City Council at any time.

Two significant customers of the KCMO sewer system are the City of Liberty and Johnson County Kansas. Each of the customers has existing contracts with KCMO set to expire in the next five years. Johnson County Kansas is set to expire in 2016; The City of Liberty agreement is set to expire in 2019, however Liberty can terminate the agreement with 2 years notification.

Although the City have been in contact with these customers to enter into new agreements each has been reviewing alternative methods of wastewater treatment.

Johnson County, Kansas represents about \$10 million in annual review to the department. Johnson County is considering building additional treatment and storage at one of their existing plants that will greatly lessen the flow of wastewater and consequently the revenue to Kansas City. Based on the projections provided by Johnson County, it would likely reduce its flow to KCMO by about 80%. The remaining 20% would continue to be treated by Kansas City. Although Kansas City would see a reduction in revenue due to this change, we would also see a reduction in expenses, including in part a significant investment in storage required in the City's Consent decree with the Federal government. Kansas City is continuing to negotiate with Johnson County for a ten year agreement that would set the maximum allowable annual rate increase during the term of the agreement.

The City of Liberty currently provides about \$3.5 million in revenue to the wastewater utility for the treatment of its sewage. It is the second largest wastewater customer of KCMO. The City of Liberty is considering building its own treatment facility and may not be renewing the wholesale agreement with KCMO. Although, we are continuing to negotiate with the City of Liberty to provide wastewater services, there has been no response to the last offer made by the City. The City of Liberty is taking steps to provide funding if it decides to build a new facility, in August the City of Liberty obtained voter authorization to sell revenue bonds.

Billing Procedures and Collections

Wastewater rates are reviewed annually by the City to determine if rate adjustments are required. Charges are based on the estimated volume of wastewater discharged into the Sanitary Sewer System or by actual measurement for certain inter-jurisdictional customers. Billable wastewater volume charges for one and two family dwellings are based on water used during the winter period, which is defined as the billing periods most closely corresponding to the months of January through April. Billed wastewater volume for all other customers is equal to actual metered water usage less any approved exemption allowances for water that does not enter the Sanitary Sewer System. In addition, all customers pay a monthly service charge. Commercial and industrial users that discharge wastewater having a high biochemical oxygen demand, high concentrations of suspended solids, or oil and grease pay additional charges to recover the added costs required.

Charges for wastewater collection and treatment services are combined on a single bill with applicable water and stormwater charges. A late payment service charge of 5% of the unpaid delinquent balance is applied to all metered water service, sanitary sewer service and stormwater fee bills remaining unpaid after the delinquent date. Water and wastewater services are subject to termination without further notice if a bill remains unpaid 20 days after the delinquent date. For one- and two-family dwellings, unpaid charges may become a lien on the property if the account is three or more months delinquent or the total amount of the delinquency is \$500 or more. For all other property classifications, unpaid charges may become a lien on the property if the account is three or more months delinquent or the total amount of the delinquency is \$1,000 or more. Water and wastewater service can be restored upon receipt of the full amount of the outstanding balance including a service restoration charge.

Annual Rate
of Delinquent Bad Debt

<u>Fiscal Year Ended April 30</u>	<u>Delinquency Percentage</u>
2013	2.60%
2012	2.52%
2011	2.36%
2010	3.66%
2009	2.23%

Rate Structure

In 1972, the City adopted a policy of annually reviewing the adequacy of its wastewater rates and adjusting them as required. Wastewater rates are developed for retail and inter-jurisdictional contract customers by determining the total costs of service and service requirements. Rate increases over the past five years have occurred each May 1 and range from 12% to 17%. Rate increases implemented from FY 2010 to FY 2014 are shown in the table below:

<u>FY</u>	<u>% of Rate Increase</u>
2014	15%
2013	17%
2012	15%
2011	15%
2010	12%

On March 28, 2013 the City Council approved Ordinance No.130170 which established the following wastewater rates effective May 1, 2013:

Inside City Rates

Monthly Service Charge	\$12.20 per month
Volume Charge	\$4.54 per hundred cubic feet
Excess Strength Surcharges	
Biochemical Oxygen Demand Over 250 mg/l	\$0.303 per pound
Suspended Solids Over 250 mg/l	\$0.181 per pound
Oil & Grease Over 30 mg/l	\$0.131 per pound

Outside City Rates

Metered Wastewater Connections	
Volume Charge	\$2.50 per hundred cubic feet
Metered Wastewater Direct Connections	
Volume Charge	\$2.13 per hundred cubic feet
Unmetered Connections with Water Records	
Monthly Service Charge	\$9.90 per bill
Volume Charge	\$3.21 per hundred cubic feet
Unmetered Connections without Water Records	
Monthly Service Charge	\$34.50 per month
Individual Customers Billed Directly by the City	
Monthly Service Charge	\$17.84 per bill
Volume Charge	\$6.35 per hundred cubic feet
Excess Strength Surcharges	
Biochemical Oxygen Demand Over 250 mg/l	\$0.382 per pound
Suspended Solids Over 250 mg/l	\$0.205 per pound
Oil & Grease Over 30 mg/l	\$0.133 per pound

Rate increases require City Council approval and the City is not required to raise rates annually. The City makes no representation as to whether (i) a rate increase will be approved in any future Fiscal Year, or, (ii) if a rate increase is approved in any Fiscal Year, the nature and extent of any such rate increase or changes in customer base and resulting revenues. Nevertheless, the City's debt service coverage requirement will be maintained.

Stormwater charges are based on the impervious area of each property within the City. The stormwater revenues are not available to pay debt service on any Parity Bonds (defined in the various bond ordinances). However, stormwater revenues could be used, if required, to pay debt service on the Outstanding Senior Bonds (defined in the various bond ordinances).

Sanitary Sewer System Financial Information and Coverage Statement

Operating Revenues and Expenses

Approximately 75% of the sewer service charge revenues of the Water Services Department are derived from charges for retail service provided to customers located either inside or outside the city limits. The remaining sewer service charge revenues are for collection, transport, and treatment services provided on a wholesale basis under inter-jurisdictional agreements with 28 surrounding cities and sewer districts. The total number of retail customers in Fiscal Year 2013 is approximately 163,000.

Annual operation and maintenance expenses of the Sanitary Sewer System are shown in the "Debt Service Coverage" Table. These expenses consist of sewerage treatment and pumping, wastewater collection system maintenance, administrative and general, hazardous waste control, and Automated Meter Reading lease payments. The wastewater utility's total operation and maintenance expenses for the historical period were as follows:

<u>FY</u>	<u>Expenses</u>
2009	\$52,231,886
2010	\$54,220,587
2011	\$50,804,175
2012	\$54,253,365
2013	\$60,413,622

On August 14, 2008, the City Council adopted the Water Services Department's Statement of Policy for Operating and Renewal and Replacement Reserves (Reserve Policy). The Reserve Policy establishes target reserve levels for operating and renewal and replacement reserves, establishes annual contribution levels, and provides for the annual review and modification of the reserve targets and funding requirements. Reserve targets established for the Sanitary Sewer System are as follows:

- (a) Operating reserves have been established in an amount equal to 20 percent of budgeted annual operating and maintenance expenses, plus budgeted administrative fees; and
- (b) A renewal and replacement reserve has been established in an amount equal to the prior year's annual depreciation. Minimum annual contributions of \$1,000,000 shall be budgeted and transferred until the required amount is established. Once the required funding level is met, annual contributions may be adjusted to amounts consistent with growth in annual depreciation. To the extent that balances are drawn down and used to fund emergency capital replacements or for other authorized purposes, annual contributions shall resume until the required funding level is met.

Accounting, Budgeting and Auditing Procedures

The Water Services Department is an enterprise activity whose financial records are audited annually and reported in conformity with generally accepted accounting principles for government owned wastewater utilities. The Water Services Department operates the Sanitary Sewer System on the accrual system of accounting, where revenues are recorded when earned and expenses are recorded when incurred. An annual budget of estimated receipts and disbursements for the coming Fiscal Year is prepared by the Director of Water Services under the direction of the City Manager and is presented to the City Council in March for approval after a public hearing. The Fiscal Year of the Sanitary Sewer System is May 1 through April 30. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes and includes a statement of the rates required to raise each amount shown on the budget as coming from Sanitary Sewer System revenues.

The financial statements of the Sanitary Sewer System are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In 2009, BKD, LLP certified public accountants audited the City as a whole and did not give a separate opinion for the Sanitary Sewer System's financial statements. In fiscal years 2010 through 2013, BKD, LLP, provided a separate opinion for the Sanitary Sewer System's financial statements. Copies of the audit reports for the past five years are on file in the City Clerk's office and are available for review.

Financial Statements

The tables on the following pages provide the Sewer Fund's balance sheets and income statements and debt coverage table for the Fiscal Years ended April 30, 2009 through April 30, 2013. The City did not ask BKD, LLP, to perform any additional work or any post-audit procedures more recently than the April 30, 2013 audit with respect thereto.

CITY OF KANSAS CITY, MISSOURI
SEWER FUND – WASTEWATER ONLY
Statements of Net Position
Audited For Fiscal Years Ending April 30, 2009-2013

	2009	2010	2011	2012	2013
Assets					
Current assets					
Cash and cash equivalents	\$ 298,714	\$ 7,821,482	\$ 1,774,159	\$ 3,308,717	\$ 4,712,585
Investments	1,402,186	1,948,488	3,590,367	9,423,501	12,844,172
Accounts receivable, net	13,606,392	13,670,505	15,286,083	15,000,014	15,736,070
Accrued interest receivable	75,086	174,661	243,815	188,750	215,620
Prepaid expense	327,166	-	-	-	-
Inventories	521,705	574,413	484,700	401,490	462,399
Due from other funds	390,129	314,429	653,274	91,916	139,857
Total unrestricted current assets	16,621,378	24,503,978	22,032,399	28,414,389	34,110,703
Restricted assets:					
Cash and cash equivalents	4,082,445	723,515	7,898,665	8,218,417	7,861,256
Investments	29,393,136	5,584,904	3,877,108	30,569,144	35,215,393
Accrued interest receivable	251,374	471,922	309,650	442,405	448,063
Total restricted current assets	33,726,955	6,780,341	12,085,424	39,229,966	43,524,712
Total current assets	50,348,333	31,284,319	34,117,823	67,644,355	77,635,415
Investments	10,337,064	13,207,753	31,249,769	46,272,416	59,581,628
Restricted assets - investments	54,412,393	67,410,228	55,125,685	97,876,784	117,413,506
Special assessments receivable, net	27	-	-	-	-
Debt issuance costs, net	2,832,618	2,716,273	2,476,063	2,841,647	3,178,578
Capital assets, depreciable, net	510,819,170	504,990,405	595,200,149	606,390,804	636,681,457
Capital assets, nondepreciable, net	98,458,458	119,743,179	45,746,045	58,109,263	90,094,892
Total assets	\$ 727,208,064	\$ 739,352,157	\$ 763,915,534	\$ 879,135,270	\$ 984,585,476

	2009	2010	2011	2012	2013
Liabilities and Net Position					
Current liabilities					
Accounts payable	\$ 2,975,514	\$ 7,025,071	\$ 3,619,334	\$ 5,016,069	\$ 9,560,803
Current portion of compensated absences	457,762	477,279	449,797	389,618	425,686
Accrued payroll and related expenses	1,390,160	318,816	364,853	447,734	602,944
Contract retainage payable	74,244	109,484	10,959	41,996	364,843
Other liabilities	567,369	567,369	571,506	592,639	1,092,713
Current portion of claims liability	843,957	1,059,520	1,339,672	945,101	593,126
Current portion of due to other funds	136,792	84,271	56,260	73,093	50,474
Total current liabilities payable from unrestricted assets	6,445,797	9,641,809	6,412,381	7,506,249	12,690,589
Liabilities payable from restricted assets:					
Accrued interest and fiscal agent fees	2,900,266	3,537,838	3,417,044	4,473,518	5,030,476
Current portion of revenue bonds and notes payable	11,155,000	13,374,431	14,489,900	15,872,573	18,238,154
Contract retainage payable	223,965	468,266	369,093	925,503	2,455,164
Total liabilities payable from restricted assets	14,279,230	17,380,535	18,276,037	21,271,594	25,723,794
 Total current liabilities	 20,725,028	 27,022,344	 24,688,418	 28,777,844	 38,414,383
 Compensated absences	 1,437,438	 1,378,989	 1,173,076	 1,309,404	 1,219,529
Claims liability	2,648,246	3,254,202	4,304,877	2,878,725	4,004,886
Other post-employment benefit obligation	1,701,104	2,609,883	2,857,022	3,026,926	3,139,512
Pension liability	629,967	1,542,320	2,288,276	2,914,000	3,039,934
Revenue bonds and notes payable, net of current portion	225,448,390	213,087,679	203,164,436	281,529,261	337,075,102
 Total Liabilities	 252,590,173	 248,895,417	 238,476,104	 320,436,160	 386,893,346
Net position					
Net investment in capital assets	453,854,996	471,746,517	482,829,817	494,445,838	516,662,987
Restricted	6,666,977	6,598,529	6,777,676	7,159,774	11,019,030
Unrestricted	14,095,918	12,111,694	35,831,937	57,093,497	70,010,113
Total net position	474,617,891	490,456,740	525,439,430	558,699,109	597,692,130
 Total liabilities and net position	 \$ 727,208,064	 \$ 739,352,157	 \$ 763,915,534	 \$ 879,135,270	 \$ 984,585,476

SEWER FUND – WASTEWATER ONLY
Statements of Revenues, Expenses and Changes in Net Position
Audited for Fiscal Years Ending April 30, 2009-2013

	2009	2010	2011	2012	2013
Operating Revenues					
Retail sewer charges	\$ 48,752,005	\$ 52,411,606	\$ 70,226,412	76,448,889	93,951,330
Inter-jurisdictional sewer charges	21,098,061	21,707,817	23,123,947	23,925,569	24,508,149
Other operating revenues	4,752,796	5,521,162	5,023,113	4,535,887	3,335,623
Total operating revenues	74,602,862	79,640,585	98,373,472	104,910,345	121,795,102
Operating Expenses					
Sewage treatment and pumping	18,968,715	19,158,602	20,207,164	21,075,363	21,350,652
Sewer maintenance	16,489,430	18,014,531	14,638,633	18,440,854	19,163,129
Administrative and general	14,509,502	14,833,438	14,535,534	13,468,247	18,581,619
Industrial and household hazardous waste control	2,264,239	2,214,016	1,422,844	1,268,901	1,318,222
Depreciation and amortization	14,008,556	14,330,796	17,375,094	17,615,972	18,120,126
Total operating expenses	66,240,442	68,551,383	68,179,269	71,869,337	78,533,748
Operating Income	8,362,420	11,089,202	30,194,203	33,041,008	43,261,354
Nonoperating Revenues (Expenses)					
Interest income	1,418,735	2,852,011	2,113,983	2,631,399	1,727,177
Interest expense and fiscal agent fees	(4,499,980)	(4,475,333)	(5,323,263)	(5,981,420)	(6,447,712)
Other	109,101	4,933	(630,131)	16,072	23,486
Total nonoperating expenses, net	(2,972,144)	(1,618,389)	(3,839,411)	(3,333,949)	(4,697,049)
Excess of Revenues over Expenses before Capital Contributions	5,390,276	9,470,813	26,354,792	29,707,059	38,564,305
Capital Contributions	7,554,771	6,368,036	8,627,900	3,552,626	428,708
Increase in Net Position	12,945,047	15,838,849	34,982,692	33,259,685	38,993,013
Net Position, Beginning of Year	461,672,844	474,617,891	490,456,740	525,439,432	558,699,117
Net Position, End of Year	\$ 474,617,891	\$ 490,456,740	\$ 525,439,432	\$ 558,699,117	\$ 597,692,130

CITY OF KANSAS CITY, MISSOURI
Debt Service Coverage - Sanitary Sewer System
Fiscal Years Ending April 30, 2009 through April 30, 2013

	2009	2010	2011	2012	2013
Revenues:					
Sewer charges	\$ 69,850,066	\$ 74,119,422	\$ 93,350,359	\$ 100,374,457	\$ 118,459,479
Other operating income	4,752,796	5,521,162	5,023,113	4,535,887	3,335,623
Interest income	1,418,735	2,852,011	2,113,983	2,631,399	1,727,177
Total Revenues	\$ 76,021,598	\$ 82,492,595	\$ 100,487,455	\$ 107,541,743	\$ 123,522,279
Less Expenses:					
Sewage treatment and pumping	\$ 18,968,715	\$ 19,158,602	\$ 20,207,164	\$ 21,075,363	\$ 21,350,652
Sewer maintenance	16,489,430	18,014,531	14,638,633	18,440,854	19,163,129
Administrative and general	14,509,502	14,833,438	14,535,534	13,468,247	18,581,619
Industrial and household hazardous waste control	2,264,239	2,214,016	1,422,844	1,268,901	1,318,222
Total Expenses*	\$ 52,231,886	\$ 54,220,587	\$ 50,804,175	\$ 54,253,365	\$ 60,413,622
Net Revenues Available for Debt Service	\$ 23,789,712	\$ 28,272,008	\$ 49,683,280	\$ 53,288,378	\$ 63,108,657
Gross current year debt service	\$19,276,085	\$21,412,013	\$24,289,340	\$25,048,234	\$29,290,096
Coverage of gross debt service (multiples)	1.23 x	1.32 x	2.05 x	2.13 x	2.15 x
Less SRF(State Revolving Fund) subsidy**	3,241,774	2,612,237	2,612,253	2,352,175	2,244,809
Net Current Year Debt Service	\$ 16,034,311	\$ 18,799,776	\$ 21,677,087	\$ 22,696,059	\$ 27,045,287
Coverage of net debt service (multiples)	1.48 x	1.50 x	2.29 x	2.35 x	2.33 x

* Does not include depreciation, interest expense and fiscal agent fees.

** City Ordinance allows interest earnings on SRF loan reserves to be applied to the debt service requirement for purposes of calculating annual debt service coverage.